

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/28/10

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

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Hulsey, Harwood & Sheridan, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council Members
Town of Richwood, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood, Louisiana, as of and for the year ended June 30, 2009, which collectively comprise the Town of Richwood's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Richwood, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood, Louisiana, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

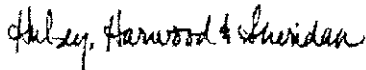
In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2010, on our consideration of the Town of Richwood, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Town of Richwood
Independent Auditor's Report

The management's discussion and analysis on pages 3 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Richwood, Louisiana's basic financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HULSEY, HARWOOD & SHERIDAN, LLC

A handwritten signature in cursive script that reads "Hulsey, Harwood & Sheridan".

Monroe, Louisiana
July 6, 2010

TOWN OF RICHWOOD

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

Our discussion and analysis of the Town of Richwood's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2009.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS Our financial statements provide these insights into the results of this year's operations:

Governmental activities reported an increase in net assets of \$307,927 whereas business-type activities reported a decrease of \$92,081.

Total spending for our governmental activities was \$1,097,239. Most of the Town's charitable gaming revenue (video bingo), property taxes, and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these two areas: general and administrative of \$662,799 and police department of \$345,902.

The General Fund had a net increase of \$184,494 in fund balance for 2009 as compared to a net increase in 2008 of \$230,027. Revenues decreased in 2009 by \$81,547 which is a 6% decrease over 2008 revenues. This substantial decrease is due to the closure of one bingo hall, a change in the composition of grant funds.

Expenditures in the General Fund for 2009 decreased by \$812,538 or 43%. In 2008, expenditures included \$145,000 paid to the former Mayor and his staff for severance and leave pay, and \$22,500 paid to the former Town Attorney for several years of services. The latter two matters are under investigation by the Louisiana State Police. Also, 2008 expenditures included expenditures made using the proceeds of the 2008 bonds.

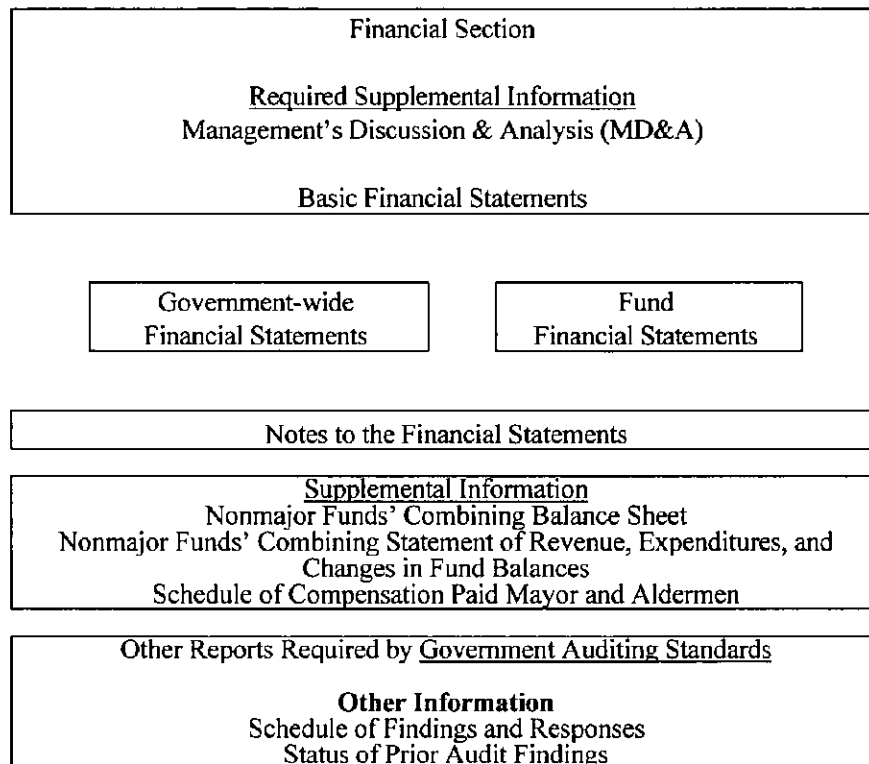
The Maintenance Fund has a decrease in revenue of \$52,816 or 34% from 2008. This was due to ordinary changes in grant funding. Expenditures for the year decreased \$117,990 or 99.8% due to capital outlay purchases in the prior year.

USING THIS ANNUAL REPORT

The Town's annual report consists of a series of financial statements that show information for the Town as a whole and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the Town's overall financial health. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds - the General Fund, Summer Feeding, Maintenance, and the Sewer Enterprise Fund. The following chart reflects the information included in this annual report:

TOWN OF RICHWOOD

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009



Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, the Supplemental Information and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins with the government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Town's financial statements, report information about the Town as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TOWN OF RICHWOOD

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

The two statements report the Town's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets as reported in the Statement of Activities are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Town's operating results. However, the Town's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other nonfinancial factors, such as the quality of police protection, the conditions of the Town's roads, and the quality of water, sewer and sanitation systems to assess the overall health of the Town. In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental Activities - Most of the Town's basic services are reported here, including the police and general administration. Property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

Business-type Activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The Town's fund financial statements provide detailed information about our most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, the Town establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches:

Governmental funds - Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations.

Proprietary funds - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's utility enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide financial statements but provides more detail and additional information, such as cash flows.

THE TOWN AS A WHOLE

Our analysis below focuses on the net assets and changes in net assets of the Town's governmental and business-type activities.

TOWN OF RICHWOOD

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

	NET ASSETS				Total	
	Governmental Activities		Business-type Activities		2009	2008
	2009	2008	2009	2008		
Current and other assets	\$ 917,633	\$ 717,097	\$ 93,173	\$240,384	\$ 1,010,806	\$ 904,219
Capital assets (net)	628,741	657,813	670,425	711,765	1,299,166	1,422,840
Total assets	<u>1,546,374</u>	<u>1,374,910</u>	<u>763,598</u>	<u>952,149</u>	<u>2,309,972</u>	<u>2,327,059</u>
Current and other liabilities	177,943	299,406	21,138	68,181	199,081	367,587
Long-term liabilities	849,576	864,576	656,493	705,920	1,506,069	1,570,496
Total liabilities	<u>1,027,519</u>	<u>1,163,982</u>	<u>677,631</u>	<u>774,101</u>	<u>1,705,150</u>	<u>1,938,083</u>
Invested in capital assets, net of debt	220,835	652,563	494,505	535,845	715,340	1,188,408
Restricted	519,874	540,082	90,835	90,130	610,709	630,212
Unrestricted	(221,854)	(981,717)	(499,373)	(447,927)	(721,227)	(1,429,644)
Total net assets	<u>\$ 518,855</u>	<u>\$ 210,928</u>	<u>\$ 85,967</u>	<u>\$178,048</u>	<u>\$ 604,822</u>	<u>\$ 388,976</u>

The net assets of the Town's governmental activities increased by \$307,927 during 2009. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) were a negative \$221,854 at the end of the year.

The net assets of our business-type activities decreased \$92,081 in 2009.

TOWN OF RICHWOOD

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

	CHANGE IN NET ASSETS					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 327,725	\$ 275,308	\$ 166,954	\$ 219,227	\$ 494,679	\$ 494,535
Operating grants and contributions	300,451	209,899	-	-	300,451	209,899
Capital grants and contributions	-	71,310	-	-	-	71,310
General revenues:						
Property taxes	62,754	66,171	-	-	62,754	66,171
Sales taxes	221,508	243,657	-	-	221,508	243,657
Other taxes	99,233	60,397	-	-	99,233	60,397
Charitable gaming funds	395,363	591,989	-	-	395,363	591,989
Unrestricted grants	-	1,148	-	-	-	1,148
Gain on sale of assets	-	2,250	-	-	-	2,250
Unrestricted interest earned	533	6,391	1,218	1,116	1,751	7,507
Other	2,931	38,139	-	-	2,931	38,139
Total revenues	<u>1,410,498</u>	<u>1,566,659</u>	<u>168,172</u>	<u>220,343</u>	<u>1,578,670</u>	<u>1,787,002</u>
Expenses:						
General government	662,799	1,054,283	-	-	662,799	1,054,283
Public safety	345,902	483,000	-	-	345,902	483,000
Public works	21,377	92,682	-	-	21,377	92,682
Health and welfare	75	104	-	-	75	104
Interest expense	67,086	5,370	-	-	67,086	5,370
Sewer Enterprise	-	-	265,585	256,957	265,585	256,957
Total expenses	<u>1,097,239</u>	<u>1,635,439</u>	<u>265,585</u>	<u>256,957</u>	<u>1,362,824</u>	<u>1,892,396</u>
Increase (decrease) in net assets before transfers	313,259	(68,780)	(97,413)	(36,614)	215,846	(105,394)
Transfers	(5,332)	-	5,332	-	-	-
Extraordinary item	-	-	-	290,263	-	290,263
Change in net assets	<u>307,927</u>	<u>(68,780)</u>	<u>(92,081)</u>	<u>253,649</u>	<u>215,846</u>	<u>184,869</u>
Net assets at beginning of year as originally stated	210,928	271,028	178,048	(79,358)	388,976	191,670
Prior period adjustment	-	8,680	-	3,757	-	12,437
Net assets at beginning of year	<u>210,928</u>	<u>279,708</u>	<u>178,048</u>	<u>(75,601)</u>	<u>388,976</u>	<u>204,107</u>
Net assets at end of year	<u>\$ 518,855</u>	<u>\$ 210,928</u>	<u>\$ 85,967</u>	<u>\$ 178,048</u>	<u>\$ 604,822</u>	<u>\$ 388,976</u>

Governmental Activities

The cost of all governmental activities this year was \$1,097,239. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$383,495 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Charitable gaming funds accounted for 51% of general revenues which include taxes (property, sales, franchise, and other) and charitable gaming funds.

TOWN OF RICHWOOD

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

Business-type Activities

Revenues of the Town's business-type activities decreased by 24% (\$168,172 in 2009 compared to \$220,343 in 2008) and expenses increased by 3% (\$265,585 in 2009 compared to \$256,957 in 2008).

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund balance of \$690,464 which is an increase of \$328,122 in fund balance from last year. See the above discussion of changes in the General and Maintenance Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The favorable budget variance in revenues and other sources of \$276,213 or 28% is misleading as \$195,817 in grants were not budgeted. Actual revenues less grants totaled \$1,070,396 which exceeds budgeted amounts by 8%. Actual expenditures and other uses exceeded budgeted expenditures and other uses by \$42,051 or 4%.

No amendments were adopted during the year.

CAPITAL ASSETS

On June 30, 2009, the Town had invested in the following capital assets, net of accumulated depreciation:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 95,000	\$ 95,000	\$ -	\$ -	\$ 95,000	\$ 95,000
Construction in progress	317,225	317,225	-	-	317,225	317,225
Buildings	55,239	58,566	-	-	55,239	58,566
Building improvements	13,650	-	-	-	13,650	-
Park improvements	58,757	66,102	-	-	58,757	66,102
Sewer system	-	-	670,425	711,765	670,425	711,765
Furniture and equipment	41,355	56,759	-	-	41,355	56,759
Vehicles	47,515	64,161	-	-	47,515	64,161
Totals	<u>\$ 628,741</u>	<u>\$657,813</u>	<u>\$ 670,425</u>	<u>\$711,765</u>	<u>\$ 1,299,166</u>	<u>\$1,369,578</u>

See Note 6 to the financial statements for more information on capital assets.

DEBT ADMINISTRATION

On June 30, 2009, the Town had a \$100,000 certificate of indebtedness and \$770,000 in revenue bonds outstanding in the Governmental Funds. The Enterprise-Sewer Fund had outstanding bonds payable of \$656,493. More information is presented on long-term debt in Note 7 of the Notes to the Financial Statements.

TOWN OF RICHWOOD

Management's Discussion and Analysis As of and for the Year Ended June 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Our elected and appointed officials and citizens consider many factors when setting the Town's budget and tax rates. One of the most important factors affecting the budget is our charitable gaming (video bingo) collections which is approximately 51% of revenue in the Governmental funds. We have budgeted very conservatively for the year ending June 30, 2010.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact management at the Town of Richwood, 5130 Brown Road, Richwood, Louisiana 71202-7004, or at telephone number (318) 322-2104.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

ASSETS	Governmental Business-type		Total
	Activities	Activities	
Cash and cash equivalents	\$ 620,604	\$ 90,853	\$ 711,457
Receivables	136,221	21,043	157,264
Internal balances	67,547	(67,547)	-
Prepaid expenses	40,681	-	40,681
Capital assets not being depreciated	412,225	-	412,225
Capital assets, net of accumulated depreciation	216,516	670,425	886,941
Other assets	52,580	48,824	101,404
TOTAL ASSETS	<u>1,546,374</u>	<u>763,598</u>	<u>2,309,972</u>
LIABILITIES			
Bank overdraft	28	-	28
Accounts, salaries, and other payables	126,953	21,138	148,091
Accrued liabilities	35,962	-	35,962
Matured bonds payable	15,000	-	15,000
Noncurrent liabilities:			
Due within one year	15,000	50,727	65,727
Due in more than one year	834,576	605,766	1,440,342
TOTAL LIABILITIES	<u>1,027,519</u>	<u>677,631</u>	<u>1,705,150</u>
NET ASSETS			
Investment in capital assets, net of related debt	220,835	494,505	715,340
Restricted for debt service	519,874	90,835	610,709
Unrestricted	(221,854)	(499,373)	(721,227)
TOTAL NET ASSETS	<u>\$ 518,855</u>	<u>\$ 85,967</u>	<u>\$ 604,822</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	OPERATING		GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS			
Governmental activities:						
General government	\$ 662,799	\$ 48,097	\$ 133,401	\$ (481,301)		\$ (481,301)
Public safety	345,902	112,404	48,630	(184,868)		(184,868)
Public works	21,377	167,224	118,420	264,267		264,267
Health and welfare	75	-	-	(75)		(75)
Interest expense	67,086	-	-	(67,086)		(67,086)
Total governmental activities	1,097,239	327,725	300,451	(469,063)		(469,063)
Business-type activities:						
Sewer	265,585	166,954	-	-	(98,631)	(98,631)
Total business-type activities	265,585	166,954	-	-	(98,631)	(98,631)
Total primary government	\$1,362,824	\$ 494,679	\$ 300,451	(469,063)	(98,631)	(567,694)
General revenues:						
Property taxes			62,754		-	62,754
Sales and use taxes			221,508		-	221,508
Franchise taxes			95,237		-	95,237
Other taxes, penalties, and interest			3,996		-	3,996
Charitable gaming funds			395,363		-	395,363
Unrestricted investment earnings			533		1,218	1,751
Other			2,931		-	2,931
Transfers			(5,332)		5,332	-
Total general revenues and transfers			776,990		6,550	783,540
Change in net assets			307,927		(92,081)	215,846
Net assets at beginning of year			210,928		178,048	388,976
Net assets at end of year			\$ 518,855		\$ 85,967	\$ 604,822

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2009**

	General Fund	Maintenance Fund	Project RAP Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,033	\$ -	\$ 88,667	\$ 1,030	\$ 100,730
Cash and cash equivalents - restricted	519,874	-	-	-	519,874
Receivables	116,732	19,489	-	-	136,221
Prepaid expenses	40,681	-	-	-	40,681
Due from other funds	95,921	105,691	-	63,464	265,076
TOTAL ASSETS	<u>\$784,241</u>	<u>\$125,180</u>	<u>\$ 88,667</u>	<u>\$ 64,494</u>	<u>\$ 1,062,582</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bank overdraft	\$ -	\$ 28	\$ -	\$ -	\$ 28
Accounts payable	100,963	11,298	-	-	112,261
Payroll and related liabilities	11,237	-	100	-	11,337
Accrued liabilities	35,962	-	-	-	35,962
Matured bonds payable	15,000	-	-	-	15,000
Due to other funds	69,124	27,642	88,671	12,093	197,530
Total liabilities	<u>232,286</u>	<u>38,968</u>	<u>88,771</u>	<u>12,093</u>	<u>372,118</u>
Fund balances:					
Unreserved	551,955	86,212	(104)	52,401	690,464
Total fund balances	<u>551,955</u>	<u>86,212</u>	<u>(104)</u>	<u>52,401</u>	<u>690,464</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$784,241</u>	<u>\$125,180</u>	<u>\$ 88,667</u>	<u>\$ 64,494</u>	<u>\$ 1,062,582</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances	\$ 690,464
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	628,741
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	52,580
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(852,930)
Net assets of governmental activities	<u>\$ 518,855</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Maintenance Fund	Project RAP Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property taxes	\$ 62,754	\$ -	\$ -	\$ -	\$ 62,754
Sales and use taxes	221,508	-	-	-	221,508
Franchise taxes	95,237	-	-	-	95,237
Other taxes, penalties and interest	3,996	-	-	-	3,996
Licenses and permits	47,443	-	-	-	47,443
Charitable gaming funds	355,711	-	-	39,652	395,363
Intergovernmental revenues:					
Federal grants:					
Other federal grants	25,314	-	-	-	25,314
State grants:					
Parish transportation funds	-	98,974	-	-	98,974
Other operating grants	170,503	5,660	-	-	176,163
Charges for services	168,788	-	-	-	168,788
Fines and forfeitures	111,494	-	-	-	111,494
Interest earned	533	-	-	-	533
Other revenues	2,932	-	-	-	2,932
Total revenues	<u>1,266,213</u>	<u>104,634</u>	<u>-</u>	<u>39,652</u>	<u>1,410,499</u>
Expenditures:					
Current:					
General government	652,771	-	-	116	652,887
Public safety	326,575	-	-	-	326,575
Public works	3,592	135	-	-	3,727
Health and welfare	-	-	4	71	75
Debt service:					
Principle	21,900	-	-	-	21,900
Interest and others	57,419	-	-	-	57,419
Capital outlay	14,462	-	-	-	14,462
Total expenditures	<u>1,076,719</u>	<u>135</u>	<u>4</u>	<u>187</u>	<u>1,077,045</u>
Excess (deficiency) of revenues over expenditures	<u>189,494</u>	<u>104,499</u>	<u>(4)</u>	<u>39,465</u>	<u>333,454</u>
Other financing sources (uses):					
Transfers out	(5,332)	-	-	-	(5,332)
Total other financing sources and uses	<u>(5,332)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,332)</u>
Net change in fund balances	<u>184,162</u>	<u>104,499</u>	<u>(4)</u>	<u>39,465</u>	<u>328,122</u>
Fund balances at beginning of year	<u>367,793</u>	<u>(18,287)</u>	<u>(100)</u>	<u>12,936</u>	<u>362,342</u>
Fund balances at end of year	<u>\$ 551,955</u>	<u>\$ 86,212</u>	<u>\$ (104)</u>	<u>\$ 52,401</u>	<u>\$ 690,464</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds **\$ 328,122**

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. **(29,072)**

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. **15,000**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. **(6,123)**
Change in net assets of governmental activities **\$ 307,927**

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	\$ 225,000	\$ 225,000	\$ 383,495	\$ 158,495
Licenses and permits	50,000	50,000	47,443	(2,557)
Charitable gaming funds	300,000	300,000	355,711	55,711
Intergovernmental revenues:				
Federal grants:				
Other federal grants	-	-	25,314	25,314
State grants:				
Other operating grants	-	-	170,503	170,503
Charges for services	190,000	190,000	168,788	(21,212)
Fines and forfeitures	200,000	200,000	111,494	(88,506)
Interest earned	-	-	533	533
Other revenues	25,000	25,000	2,932	(22,068)
Total revenues	990,000	990,000	1,266,213	276,213
Expenditures:				
Current:				
General government	375,000	375,000	652,771	277,771
Public safety	580,000	580,000	326,575	(253,425)
Public works	80,000	80,000	3,592	(76,408)
Debt service	-	-	79,319	79,319
Capital outlay	5,000	5,000	14,462	9,462
Total expenditures	1,040,000	1,040,000	1,076,719	36,719
Excess (deficiency) of revenues over expenditures	(50,000)	(50,000)	189,494	239,494
Other financing sources (uses):				
Transfers out	-	-	(5,332)	(5,332)
Total other financing sources (uses)	-	-	(5,332)	(5,332)
Net change in fund balances	(50,000)	(50,000)	184,162	234,162
Fund balances at beginning of year	-	-	367,793	367,793
Fund balances at end of year	\$ (50,000)	\$ (50,000)	\$ 551,955	\$ 601,955

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**PROPRIETARY FUND - SEWER ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 18
Receivables	21,043
Due from other funds	23,275
Total current assets	44,336
Noncurrent assets:	
Cash and cash equivalents - restricted	90,835
Capital assets, net of depreciation	670,425
Other assets	48,824
Total noncurrent assets	810,084
TOTAL ASSETS	854,420

LIABILITIES

Current liabilities:	
Accounts payable	21,139
Due to other funds	90,821
Revenue bonds payable - current	50,727
Total current liabilities	162,687
Noncurrent liabilities:	
Revenue bonds payable	605,766
Total noncurrent liabilities	605,766
TOTAL LIABILITIES	768,453

NET ASSETS

Invested in capital assets, net of related debt	494,505
Restricted for debt service	90,835
Unrestricted	(499,373)
TOTAL NET ASSETS	\$ 85,967

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**PROPRIETARY FUND - SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

Operating revenues:	
Charges for services:	
Sewer fees	<u>\$ 166,954</u>
Total operating revenues	<u>166,954</u>
Operating expenses:	
Cost of services:	
Billing services	16,716
Chemicals and maintenance	137,148
Bad Debts	6,025
Amortization expense	4,438
Bank charges	245
Depreciation expense	<u>41,340</u>
Total operating expenses	<u>205,912</u>
Operating income (loss)	<u>(38,958)</u>
Nonoperating revenues (expenses):	
Interest earned	1,218
Interest expense	<u>(59,673)</u>
Total nonoperating revenues (expenses)	<u>(58,455)</u>
Income (loss) before contributions and transfers	(97,413)
Transfers in	<u>5,332</u>
Change in net assets	<u>(92,081)</u>
Net assets at beginning of year	<u>178,048</u>
Net assets at end of year	<u><u>\$ 85,967</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**PROPRIETARY FUND - SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Cash flows from operating activities:	
Receipts from customers and users	\$ 233,365
Payments to suppliers	(207,176)
Net cash provided (used) by operating activities	<u>26,189</u>
Cash flows from noncapital financing activities:	
Principal paid on operating debt	(49,427)
Interest paid on operating debt	(59,673)
Transfer from other funds	23,041
Transfer to other funds	59,342
Net cash provided (used) by noncapital and related financing activities	<u>(26,717)</u>
Cash flows from capital and related financing activities:	
Net cash provided (used) by capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest and dividends received	1,218
Net cash provided (used) by investing activities	<u>1,218</u>
Net increase (decrease) in cash and cash equivalents	690
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	90,163
Cash and cash equivalents, end of year (including amounts in restricted accounts)	<u><u>\$ 90,853</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (38,958)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Amortization expense	4,438
Depreciation expense	41,340
(Increase) decrease in accounts receivable	66,411
Increase (decrease) in accounts payable	(47,042)
Total adjustments	65,147
Net cash provided (used) by operating activities	<u><u>\$ 26,189</u></u>
Noncash investing, capital and financing activities:	
None	

The accompanying notes are an integral part of these financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Richwood have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

The Town of Richwood, Louisiana (the Town) is located in the southern portion of Ouachita Parish in Northeast Louisiana. The Town was incorporated December 31, 1974, under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a board of aldermen, which has five elected members. The Town provides garbage collection, street maintenance, drainage maintenance, and other health and welfare services, in addition to the administrative services provided to its residents.

As the municipal governing authority, for reporting purposes, the Town of Richwood is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Richwood for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or,
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting entity (Continued)

As required by generally accepted accounting principles, these financial statements present the Town of Richwood (the primary government). The Town of Richwood has no component units.

Considered in the determination of component units of the reporting entity were the Ouachita Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board and the District Attorney and Judges for Ouachita Parish. It was determined that these governmental entities are not component units of the Town of Richwood's reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Town of Richwood.

Funds

The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The funds used by the Town of Richwood are grouped into two broad fund types and three generic funds as follows:

Governmental Funds are used to account for the program and activities of the governmental functions of the Town.

General Fund - The General Fund serves as the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Maintenance Special Revenue Fund - The Maintenance Fund accounts for repairs and maintenance of tractors, police cars, and equipment.

Project RAP Special Revenue Fund - The Project RAP Fund accounts for a TANF Program for the prevention of teen pregnancy. The program has been inactive during fiscal year 2009, however, the bank account for the fund is the account used by the State of Louisiana for direct deposit of state funds.

Proprietary Funds are used to account for ongoing organizations and activities that are similar to those found in the private sector.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The proprietary fund of the Town is the Sewer Fund which accounts for the operations of the sewage system.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus and basis of accounting

Activities accounted for in the Town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

Government-Wide Financial Statements (GWFS).

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the Town's policy to first apply restricted resources.

Program revenues

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund financial statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.

Sales taxes are recognized when the underlying exchange transaction occurs and the resources are available.

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Expenditures

Salaries are recorded when paid.

Other financing sources (uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budget

The Town adopted a budget for the General Fund for the fiscal year ended June 30, 2009. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of Aldermen. Appropriations lapse at the end of the year. There were no amendments to the original budget.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

The Town of Richwood does not employ encumbrance accounting.

Cash and cash equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Richwood may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Some of the cash and cash equivalents are restricted. Cash deposits are reported at carrying amounts which reasonably approximates fair value. Those investments with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Elimination and reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Sales tax

The Town was authorized in 1986 to levy a 2 percent sales tax for the purpose of providing funds for any lawful corporate purpose.

Capital assets

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings	15 - 20 years
Computers and computer equipment	3 - 5 years
Furniture and equipment	3 - 20 years
Vehicles	7 years

Compensated absences

Accumulated vacation, sick pay, and other employee benefits and pensions are not material, and, therefore, are not accrued.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets used are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
2. Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund balances of fund financial statements

Reservations of fund balances represent amounts that are not appropriable for expenditures or are legally segregated for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Interfund activity

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or recurring permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are neither unusual in nature nor infrequent in occurrence.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the year ended June 30, 2009, the General Fund's actual expenditures and other uses exceeded budgeted expenditures and other uses by \$49,331 or five percent.

NOTE 3 - CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy to ensure that there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Deposit Insurance Coverage. Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon request.

The Town's policy does not address interest rate risk or credit rate risk.

At June 30, 2009, the Town has cash and cash equivalents (book balances net of overdrafts) in the amount of \$711,457. Bond trust accounts totaling \$609,495 are included in cash equivalents.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2009, \$463,707 of the Town's bank balances of \$713,707 were exposed to credit risk as follows:

Insured by FDIC	<u>\$ 250,000</u>
Uninsured and uncollateralized	-
Collateralized by pledged securities not in the Town's name	<u>463,707</u>
Total balances exposed to custodial credit risk	<u>463,707</u>
Total bank balances	<u>\$ 713,707</u>

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 4 - RECEIVABLES

The following is a summary of receivables at June 30, 2009:

	<u>General</u>	<u>Maintenance</u>	<u>Total Governmental Funds</u>	<u>Sewer Enterprise Fund</u>
Receivables:				
Taxes and licenses	\$ 93,015	\$ -	\$ 93,015	\$ -
Accounts	6,464	19,489	25,953	21,043
Intergovernmental	17,253	-	17,253	-
Gross receivables	<u>116,732</u>	<u>19,489</u>	<u>136,221</u>	<u>21,043</u>
Less allowance for uncollectibles	-	-	-	-
Net total receivables	<u><u>\$116,732</u></u>	<u><u>\$19,489</u></u>	<u><u>\$136,221</u></u>	<u><u>\$ 21,043</u></u>

An allowance for uncollectible amounts has not been recorded as management considers all amounts to be collectible.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables include the following:

		Due To					
Due From		General	Maintenance	Project RAP	Sewer	Nonmajor	Total
	General Fund	\$ -	\$ 4,367	\$ -	\$90,821	\$ 733	\$ 95,921
	Maintenance Fund	5,660	-	88,671	-	11,360	105,691
	Sewer Fund	-	23,275	-	-	-	23,275
	Nonmajor Funds	63,464	-	-	-	-	63,464
	Total	<u>\$ 69,124</u>	<u>\$ 27,642</u>	<u>\$ 88,671</u>	<u>\$90,821</u>	<u>\$ 12,093</u>	<u>\$ 288,351</u>

With the exception of the Project RAP Fund, the interfund balances are the result of loans between funds to satisfy short-term cash flow needs. The bank account in the Project RAP Fund is designated for reception of direct deposits from the State of Louisiana. The balance in that fund represents Parish Transportation Fund monies that had not been transferred to the Maintenance Fund as of year end.

During the year ended June 30, 2009, the General Fund transferred \$5,332 to the Sewer Fund to subsidize operations.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 6 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2009, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 95,000	\$ -	\$ -	\$ 95,000
Construction in progress	317,225	-	-	317,225
Total capital assets not being depreciated	<u>412,225</u>	<u>-</u>	<u>-</u>	<u>412,225</u>
Capital assets being depreciated:				
Buildings	64,700	-	-	64,700
Building improvements	-	13,960	-	13,960
Park improvements	73,446	-	-	73,446
Furniture and equipment	162,693	502	-	163,195
Vehicles	141,395	-	-	141,395
Total capital assets being depreciated	<u>442,234</u>	<u>14,462</u>	<u>-</u>	<u>456,696</u>
Less accumulated depreciation for:				
Buildings	6,134	3,327	-	9,461
Building improvements	-	310	-	310
Park improvements	7,344	7,345	-	14,689
Furniture and equipment	105,934	15,906	-	121,840
Vehicles	77,234	16,646	-	93,880
Total accumulated depreciation	<u>196,646</u>	<u>43,534</u>	<u>-</u>	<u>240,180</u>
Total capital assets being depreciated	<u>245,588</u>	<u>(29,072)</u>	<u>-</u>	<u>216,516</u>
Governmental activities, capital assets, net	<u>\$ 657,813</u>	<u>\$ (29,072)</u>	<u>\$ -</u>	<u>\$ 628,741</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 1,506,142	\$ -	\$ -	\$ 1,506,142
Less accumulated depreciation for:				
Sewer system	794,377	41,340	-	835,717
Business-type activities, capital assets, net	<u>\$ 711,765</u>	<u>\$ (41,340)</u>	<u>\$ -</u>	<u>\$ 670,425</u>

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 6 - CAPITAL ASSETS (Continued)

Construction in progress includes expenditures incurred on the Town's multipurpose building. Expenditures include the cost of architectural fees, the construction of the foundation, the frame of the building, and the roof. There are no outstanding construction contracts on the building at year end.

Depreciation expense was charged to governmental activities as follows:

General government	\$ 9,498
Public safety	17,164
Public works	16,872
Total	<u>\$43,534</u>

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of long-term-liability transactions for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 770,000	\$ -	\$ -	\$ 770,000	\$ -
Less deferred amount for issuance discounts	(20,424)	-	-	(20,424)	-
Total bonds payable	749,576	-	-	749,576	-
Certificate of Indebtedness	115,000	-	(15,000)	100,000	15,000
Total Governmental activities	<u>\$ 864,576</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 849,576</u>	<u>\$ 15,000</u>
Business-type activities:					
Bonds payable	<u>\$ 705,920</u>	<u>\$ -</u>	<u>\$ (49,427)</u>	<u>\$ 656,493</u>	<u>\$ 50,727</u>

The individual issues are as follows:

<u>Issue</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>
Sewer Revenue Bonds, Series 2000	8/7/2000	\$ 290,000	6.40%	10/1/2015	\$ 40,763	\$ 156,493
Certificate of Indebtedness, Series 2005	7/1/2005	\$ 150,000	6.00%	6/1/2015	\$ 22,200	\$ 100,000
Bonds, Series 2008A	2/13/2008	\$ 770,000	6.00%	2/15/2028	\$ 741,241	\$ 770,000
Bonds, Series 2008B	2/13/2008	\$ 530,000	8.50%	2/15/2020	\$ 281,350	\$ 500,000

In August 2000, the Town issued revenue bonds for the purpose of upgrading and expanding the sewer system. The sewer revenue bonds are paid by the Sewer Enterprise Fund.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 7 - LONG-TERM LIABILITIES (Continued)

In July 2005, the Town issued Certificate of Indebtedness, Series 2005 in the amount of \$150,000 for the sole purpose of extinguishing a debt with the Internal Revenue Service for prior year payroll liabilities. The Certificate of Indebtedness is paid by the General Fund.

In February 2008, the Town issued \$1,300,000 in revenue bonds. Series 2008A is dedicated to public improvements and 2008B is dedicated to extinguishing a debt to the City of Monroe for prior years' sewer processing services. Debt service on Series 2008A and 2008B will be paid by the General and Sewer Funds, respectively.

The annual requirements to amortize all debt outstanding at June 30, 2009, are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 15,000	\$ 53,238	\$ 50,727	\$ 51,897
2011	15,000	52,338	57,072	48,002
2012	15,000	51,438	58,527	43,572
2013	15,000	50,538	65,077	39,046
2014	20,000	49,638	105,090	42,271
2015 - 2019	20,000	237,388	275,000	93,500
2020 - 2024	355,000	201,988	45,000	3,825
2025 - 2028	415,000	66,875	-	-
Totals	<u>\$ 870,000</u>	<u>\$ 763,441</u>	<u>\$ 656,493</u>	<u>\$ 322,113</u>

NOTE 8 - LITIGATION, CLAIMS, AND OTHER CONTINGENCIES

The Town is involved in litigation involving personnel matters at June 30, 2009, the resolution of which is not expected to materially affect the financial position of the Town.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. However, the Town expects such amounts, if any, to be immaterial.

Unless the Town enacted an ordinance to become exempt before January 1, 1978, Louisiana Revised Statute 11:2214 provides for mandatory membership in the Louisiana Municipal Police Employees Retirement System for police employees meeting certain criteria. Management is researching whether the Town's police employees are required to participate in the plan. If employees participate in the plan, the Town is obligated to match employee contributions as per the plan. As a determination has not been made, no liability has been recorded in the financial statements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 8 - LITIGATION, CLAIMS, AND OTHER CONTINGENCIES (Continued)

Payments totaling \$135,973 were made in June 2008 to the former Mayor and several office employees whose employment was discontinued at June 30, 2008. The former Mayor classified the payments as severance pay and payment for accrued leave. General government and public safety expenses for the year ended June 30, 2008, in the General Fund included \$109,759 and \$36,616, respectively, for these payments. Also, \$22,500 included in General Fund general government expenses was paid to the former Town Attorney for services from January 1, 2001, through July 1, 2008. Beginning fund balances reflected in these financial statements reflect these payments which may violate Article VII, Section 14 of the Louisiana Constitution. In July 2008, the Louisiana State Police began investigating the matter. Charges were filed by the District Attorney against the former Mayor in August 2009. In September 2009, the former Mayor entered a not guilty plea.

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

NOTE 10 - LEVIED TAXES

The Town levies taxes on real and business personal property located within the Town's boundaries. Property taxes are levied by the Town on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The following schedule presents the Town's property tax calendar:

Millage rates adopted	September 4, 2008
Levy date	January 1, 2008
Tax bills mailed	November, 2008
Due date	December 31, 2008
Lien date	January 1, 2009

Total taxable value was \$3,814,714 in calendar year 2009. Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

10% land	15% machinery
10% residential improvements	15% commercial improvements
15% industrial improvements	25% public service properties, excluding land

State law requires the Town to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.00% per month until the taxes are paid.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 10 - LEVIED TAXES (Continued)

The calendar year tax roll is prepared by the tax assessor and approved by the State Tax Commission in November of each year. The majority of property taxes are collected during December, January, and February. All property taxes are recorded in the General Fund. The Town considers the date penalty and interest accrue as the date an enforceable legal claim occurs for property taxes. Property tax revenue is recognized in the period for which the taxes are levied (budgeted). Accordingly, the property taxes for calendar year 2008 are budgeted in the 2008-2009 fiscal year of the Town.

Estimated uncollectible taxes are those taxes which, based on past experience, will likely not be collected in the subsequent year, and arise primarily because of subsequent adjustments to the tax roll. Historically, virtually all ad valorem taxes receivable have been collected, since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

NOTE 11 - ON BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$41,771. The related expenditures are included in public safety expenditures in the General Fund.

NOTE 12 - EXPENDITURES/EXPENSES

Management is unable to locate proper invoices, canceled checks, or other proper support for expenditures/expenses totaling \$27,221. These expenditures/expenses are included in various expenditure categories of the General Fund. Management believes the cause of the missing invoices is due to multiple changes in administration. The bank stopped returning canceled checks and management has not requested that the bank provide the checks or images of the checks.

NOTE 13 - ECONOMIC DEPENDENCY

Charitable gaming revenue for the current year was \$395,363, or 51% of the Town's current year general revenues which are presented in the governmental activities column of the statement of activities. The gaming establishments are operated by a third party.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 6, 2010, the date on which the financial statements were available to be issued.

Note 8 describes questioned costs that were included in the fiscal year 2008 financial statements. In August 2009, charges were filed by the District Attorney against the former Mayor. In September 2009, the former Mayor entered a not guilty plea.

SUPPLEMENTAL INFORMATION

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS –
FUND DESCRIPTIONS
FOR THE YEAR ENDED JUNE 30, 2009**

Summer Feeding

This fund accounts for the operations of providing breakfast and lunch to lower-income children during the summer months. Financing is provided by a federal grant. The program was not active during the year ended June 30, 2009.

Share Grant

The Share Grant Program Fund accounts for funds received through the Louisiana Housing Finance Agency, which provides aid to low-income families to bring houses up to housing quality standard (HQS).

LCDBG

The LCDBG Fund is designed to assist citizens of the Town in improving housing conditions for citizens of Richwood who would otherwise be financially unable to secure their own sources of funding to remodel or build a new house. The program also assists in the effort of the Town of Richwood to stabilize and revitalize the area. Financing is provided by a grant from the United States Department of Housing and Urban Development through the Louisiana Division of Administration.

Capital Project

This fund is used to account for charitable gaming funds set aside for capital improvements.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2009**

	Special Revenue Fund - LCDBG	Capital Project Fund - Capital Improvement	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 733	\$ 297	\$ 1,030
Due from other funds	-	63,464	63,464
TOTAL ASSETS	\$ 733	\$ 63,761	\$ 64,494
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 733	\$ 11,360	\$ 12,093
Total liabilities	733	11,360	12,093
Fund balances:			
Unreserved - undesignated	-	52,401	52,401
Total fund balances	-	52,401	52,401
TOTAL LIABILITIES AND FUND BALANCES	\$ 733	\$ 63,761	\$ 64,494

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

	Special Revenue Fund - Share Grant	Capital Project Fund - Capital Improvement	Total Nonmajor Governmental Funds
Revenues:			
Charitable gaming funds	\$ -	\$ 39,652	\$ 39,652
Total revenues	<u>-</u>	<u>39,652</u>	<u>39,652</u>
Expenditures:			
Current:			
General government	-	116	116
Health and welfare	71	-	71
Total expenditures	<u>71</u>	<u>116</u>	<u>187</u>
Net change in fund balances	(71)	39,536	39,465
Fund balances at beginning of year	71	12,865	12,936
Fund balances at end of year	<u>\$ -</u>	<u>\$ 52,401</u>	<u>\$ 52,401</u>

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**SCHEDULE OF COMPENSATION PAID MAYOR AND ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2009**

The schedule of compensation paid to the Mayor and Aldermen was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by town ordinance, aldermen are paid \$775 per month for regular meetings and \$50 for each special meeting held. Also, the Mayor Pro-Tem is paid an extra \$50 per month and the Street Commissioner an extra \$25 per month.

Steve B. Hunter, Mayor	\$ 52,868
Simeon Profit, Mayor Pro-Tem	9,850
Leola Keys, Street Commissioner	9,550
Lavern Hester, Alderman	9,300
Alvin Jackson, Alderman	9,300
Leo Kelly, Alderman	9,300
Total	<u>\$100,168</u>

OTHER REPORTS



Hulsey, Harwood & Sheridan, LLC

Certified Public Accountants

**Report On Internal Control over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**Honorable Steve B. Hunter, Mayor
and Members of the Board of Aldermen
Town of Richwood
Richwood, Louisiana**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood, Louisiana, as of and for the year ended June 30, 2009, which collectively comprise the Town of Richwood, Louisiana's financial statements and have issued our report thereon dated July 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Richwood, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Richwood, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Richwood, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Town of Richwood
Richwood, Louisiana
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Town of Richwood, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Richwood, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the Town of Richwood, Louisiana's internal control. We consider the deficiencies 2009-1 through 2009-10 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Richwood, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and, accordingly, would not necessarily discover all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1 through 2009-10 to be material weaknesses.

Compliance and Other Matters

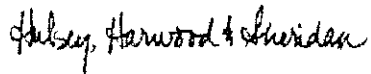
As part of obtaining reasonable assurance about whether the Town of Richwood, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we did not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2009-1, 2009-3 through 2009-7, and 2009-9 through 2009-10.

The Town of Richwood, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Richwood, Louisiana's response, and, accordingly, we express no opinion on it.

Town of Richwood
Richwood, Louisiana
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters

This report is intended solely for the information and use of the Mayor, members of the Board of Aldermen, management, pass-through entities, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

HULSEY, HARWOOD & SHERIDAN, LLC



Monroe, Louisiana
July 6, 2010

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA
Schedule of Findings and Responses
for the Year Ended June 30, 2009**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Richwood, Louisiana.
2. Ten significant deficiencies are reported in the Report on Internal Control over Financial Reporting and on Compliance and other Matters. All of the deficiencies are considered to be material weaknesses.
3. Eight instances of noncompliance material to the financial statements were disclosed during the audit.

B. Internal Control and Compliance Material to the Financial Statements

2009-1 Failure to Properly Record Transactions

First Reported
2007

Condition

The auditor began the audit in September 2009 but was unable to continue as the books were not ready for audit. The auditor returned the books to the Town for adjustments. All activity was recorded in the General Fund, prior year audit adjustments were not recorded, interfund amounts did not balance, and sewer revenues were still recorded at net amounts. The interim Mayor engaged an outside CPA to adjust the books. She recorded the prior audit adjustments and returned the books to the auditor in late February 2010. Still, the interfund activity was not balanced, activity of the Maintenance Fund and Sewer Fund was not moved to those funds from the General Fund, and sewer revenues and expenses were not adjusted to gross.

The Town outsources the billing and collection of sewer fees. Prior to fiscal year ended June 30, 2009, fees were remitted to the service company who submitted them to the Town Attorney for distribution. The Town Attorney remitted a portion of the fees to the service company and a portion of the fees to the City of Monroe to be applied to the Town's account for past sewer maintenance services before remitting the net amount to the Town. Richwood Correctional Center is billed monthly for sewer service and remits \$5,000 to the City of Monroe to be applied to the Town's account. On February 13, 2008, an agreement was reached whereby the service company began deducting its fees before remitting the appropriate portions to the City and the Town. The Town only recorded the amounts that were deposited. Furthermore, the deposits were deposited into the General Fund bank account. Audit adjustments were required to reflect revenue and expenses in the Sewer Fund, to present complete revenue and expense amounts, and to adjust liabilities to actual.

Criteria

The Town should implement controls to ensure that all transactions are recorded in accordance with generally accepted accounting principles.

Cause

The Town did not implement prior audit recommendations.

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-1 Failure to Properly Record Transactions (Continued)

Effect

Weaknesses in internal control and errors increase the risk that financial statement misstatements or fraud could occur and thus require additional audit time which increases audit cost. Further, the Mayor and Board of Aldermen were not able to properly monitor operations as accurate financial reports were not available.

Recommendation

We recommend that the Mayor and his staff perform a thorough evaluation of internal controls and present recommendations for changes to the Board of Aldermen for approval. The Louisiana Legislative Auditor's website includes several tools to assist the Town in the evaluation and development of internal control.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

2009-2 Interfund Activity

First Reported

2008

Condition

All transactions since June 30, 2008, were posted in the General Fund. We understand that a new bank account was opened in connection with the transition to a new administration. However, it appears that separate accounting funds as defined by generally accepted accounting standards should be maintained at least for the General Fund, Maintenance Fund, and Sewer Fund.

There were numerous transfers posted between funds that should have been presented as due from or due to amounts on the balance sheet.

Criteria

Transactions to subsidize another fund should be posted as transfers in/out. Transactions to temporarily loan cash to another fund should be posted as due from/to. However, dedicated funds cannot be loaned.

Cause

The Town failed to implement prior audit recommendations and to follow Best Practices promulgated by the Louisiana Legislative Auditor.

Effect

The Town violated state law. Management and the Board lacked timely information to monitor operations of the Town.

Recommendation

We recommend that the Mayor ensure that funds are properly segregated and presented.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-3 Louisiana Local Government Budget Act

First Reported
2000

Condition

We noted the following conditions in our consideration of the Town's compliance with the Budget Act:

1. No budgets were prepared for the special revenue funds.
2. No certified copies of the budget for the General Fund were available.
3. The budget did not include a budget message or estimated beginning fund balance.
4. The budget categories were not consistent with the Town's chart of accounts.
5. The minute book did not include reference to any public hearing or the adoption of the budget.
We noted the following events in the minutes:
 - a. On December 18, 2008, a budget ordinance was presented by the Mayor to the Board to properly adopt the budget by ordinance in lieu of resolution as required by the Lawrason Act. The Board declined to adopt the ordinance.
 - b. On January 15, 2009, the Board declined to vote on the 2009 budget ordinance.
 - c. On February 19, 2009, the board declined to vote on the 2009 budget ordinance.
 - d. On March 19, 2009, the Board declined to vote on the 2009 budget ordinance.
 - e. On April 16, 2009, less than three months from the fiscal year end, the Board adopted the 2009 budget ordinance.
 - f. On July 28, 2009, the Board adopted the budget for the fiscal year ending June 30, 2010. We were unable to determine if this was a resolution or an ordinance.
6. Because no beginning fund balance was budgeted, the Town budgeted a deficit of \$50,000. The original budget proposed a \$30,000 surplus but was revised before adoption to include \$80,000 for public works expenditures as no expenditures had been included in the proposed budget.
7. The budget was not amended. General Fund expenditures and other uses exceeded budgeted expenditures and other uses by \$42,051 or 4%. Debt service payments and beginning fund balance were not budgeted. General government and capital outlay expenditures exceeded budgeted amounts by \$277,771 or 74% and \$9,462 or 189%, respectively.

Criteria

Louisiana Revised Statute (LRS) 39:1301-1314 requires the following, in summary:

1. The Town must use the uniform chart of accounts developed by the Louisiana Legislative Auditor.
2. The Mayor must prepare a budget for the general fund and all special revenue funds. The budget should include a budget message and a statement for the general fund and each special revenue fund showing the estimated fund balances at the beginning of the year, estimates of all revenues and expenditures for the year, and estimated fund balance at the end of the year. The budget cannot present a negative fund balance.
3. The budget must be accompanied by the appropriate budget adoption instrument which must define the authority of the officers of the Town to make changes without approval by the Board. The Lawrason Act requires the budget to be adopted and amended by ordinance.

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-3 Louisiana Local Government Budget Act (Continued)

Criteria (continued)

4. The budget must be submitted and made available to the public no later than fifteen days prior to the beginning of the year. The Town must follow requirements to allow public participation in the budget adoption process.
5. Certified copies of the budget and the adoption instrument and budget amendments must be retained by the Mayor.
6. The Mayor must propose a budget amendment to the Board when it becomes apparent that an unfavorable budget variance will exceed five percent or more. Budget amendments are not required for special revenue funds with proposed expenditures of less than \$500,000.

Cause

The Town did not implement prior audit recommendations.

Effect

Weaknesses in internal control and errors increase the risk that financial statement misstatements or fraud could occur and thus require additional audit time which increases audit cost. The Town did not comply with state law. The Mayor and Board of Aldermen were not able to properly monitor operations as accurate financial reports were not available.

Recommendation

See finding 2009-1. We further recommend that the Mayor and the Board review the Budget Act to familiarize themselves with its requirements and implement changes to ensure compliance. The Mayor and the Board should review budget to actual statements monthly.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

2009-4 Controls over Traffic Tickets

First Reported

2000

Condition

We noted the following from a review of the Town's system for tracking tickets and from a review of 12 specific traffic tickets:

1. A proper log of ticket books issued to officers was not maintained. A log of tickets issued was maintained. This procedure does documents details of tickets that were issued. It does not document the disposition of each ticket in sequential order. If a ticket is voided or still in the officer's possession, there is no readily available record of that. Ticket numbers cannot be accounted for.
2. Officers were not required to completely log the disposition of all tickets whether issued, voided, changed, or dropped.
3. Tickets are filed according to payment status and issue date.

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-4 Controls over Traffic Tickets (Continued)

Criteria

Proper internal controls include the following: issuing ticket books in sequence, logging each book **and** each ticket, and requiring an accounting for all numbers before an officer is allowed to check out a new book. Void tickets should be retained for evidence that the ticket has not been issued. The monitoring duties should not be performed by the officers issuing tickets.

Cause

The Town did not implement prior audit recommendations.

Effect

The Town did not comply with state law. Weaknesses in internal control and errors increase the risk that financial statement misstatements or fraud could occur and thus require additional audit time which increases audit cost.

Recommendation

See finding 2009-1.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

2009-5 Controls over Purchasing and Disbursements

First Reported

2003

Condition

Internal controls over purchasing and disbursements are inadequate and not functioning properly. We reviewed the Town's purchasing and disbursements system and tested a sample of sixty-nine disbursements.

From our review of the system and testing, we noted the following conditions:

1. Though the Town reports several funds, the majority of bills was paid by the General Fund and included in General Fund expenditures. This procedure was followed during the early part of the year due to the change in administration. However, we recommended in the prior management letter that separate funds should be maintained for at least the General Fund, Maintenance Fund, and Sewer Fund.
2. The Town's bank does not return its canceled checks or provide images of canceled checks. Therefore, we were unable to examine canceled checks as evidence of payment of expenditures/expenses recognized in the Town's financial statements. During our prior audit, we recommended that the Town require the bank to provide images of the checks.
3. As purchase orders did not appear to be properly used, we did not test purchase orders.
4. Twenty-three out of sixty-nine disbursements were not supported by an invoice or other support.

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-5 Controls over Purchasing and Disbursements (Continued)

5. Two out of forty-three disbursements were not properly classified. As the invoice was not available for twenty-three of the sixty-nine disbursements examined, we were unable to conclude on proper classification of those disbursements.

Criteria

Best practices for internal control over purchasing and disbursements include proper segregation of the duties of authorization, custody, and recording. Policy should require that these practices as well as specific documentation and record retention policies be adhered to. Article VII, Section 14 of the Louisiana Constitution prohibits the use of funds for other than a lawful purpose of the Town. If proper documentation is not prepared, obtained, and retained, the purpose of the transactions cannot be supported and examined.

Generally accepted governmental accounting principles require the use of separate funds and fund types as appropriate.

Cause

Prior audit recommendations were not implemented.

Effect

The Town did not comply with state law. Weaknesses in internal control and errors increase the risk that financial statement misstatements or fraud could occur and thus require additional audit time which increases audit cost.

Recommendation

See finding 2009-1.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

2009-6 Louisiana Legislative Auditor Review

First Reported

2008

Condition

In June 2008, the Louisiana Legislative Auditor's office applied its *Checklist of Best Practices in Government* in providing advisory services for the financial operations of the Town. They also "reviewed former Mayor Edward Harris' resolution of the audit findings reported in the Town's June 30, 2007, audited financial statements." Their report was dated July 16, 2008, and states that "after meeting with the current and former mayors, on June 17, 2008, to review our findings and recommendations, my office became aware of significant payments made by the former mayor for vacation pay, severance pay, and attorney fees."

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-6 Louisiana Legislative Auditor Review (Continued)

The LLA's report included the following findings:

1. Failure to comply with the Open Meetings Law.
2. Failure to comply with the Local Government Budget Act.
3. Failure to comply with state law requiring the publication of ordinances.
4. Failure to review appropriate monthly financial statements including budget to actual comparisons.
5. Failure to adopt a formal plan for future operations.
6. Failure to adopt complete written policies and procedures.
7. Improper disposition of traffic citations and failure to properly account for tickets/citations.
8. Deficiencies in internal control over purchases and disbursements.
9. Deficiencies in control over confiscated evidence.
10. Failure to adopt a formal disaster recovery and business continuity plan.

The LLA's report included the following summary of 2007 audit findings:

1. Sewer fees – partially resolved
2. Local Government Budget Act – not determinable
3. Controls over traffic tickets – Unresolved
4. Unrecorded liability – resolved

The following was management's response to the prior year finding:

See the other responses. The former mayor responded in writing to the LLA on June 24, 2008. We have been working to implement the recommendations. We have made the following changes:

1. Notices are posted for all meetings including pre-meetings and all meetings are open to the public.
2. Mayor Hunter has twice presented an ordinance for the fiscal year 2009 budget to the Board but the Board has declined to vote on it.
3. We will prepare a budget message for the fiscal year 2010 budget to be adopted in June 2009.
4. We have published all ordinances since June 30, 2008.
5. The Town Clerk will obtain from the Town Bookkeeper balance sheets for each fund, income statements for each fund, and a budget to actual comparison for the General and Sewer Funds to be included in the Board's meeting packets beginning with the March 2009 meeting.
6. We will develop a plan for future operations by June 30, 2009.
7. We will update all policies and procedures by December 31, 2009.
8. We have implemented changes in the accounting for tickets/citation effective June 2008.
9. We discontinued the use of the debit card in June 2008.
10. We adopted a new personnel manual in April 2008 which included adopting the state travel policy.
11. Effective immediately, we will require signed purchase orders before expenses are incurred. The Mayor will indicate approval of invoices for payment by initialing invoices or by initialing a payables schedule.

Town of Richwood
Richwood, Louisiana
Status of Prior Audit Findings, June 30, 2009

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-6 Louisiana Legislative Auditor Review (Continued)

Condition (continued)

12. We will evaluate our current leave records and ensure that the system will provide accurate and complete records.
13. We will follow policies to ensure that any leave benefits are accurate and allowable.
14. We will prepare a disaster/recovery/business continuity plan by December 31, 2009.

As of our audit fieldwork for the year ended June 30, 2009, the status remained virtually the same for all conditions reported.

Criteria

The LLA cited the Open Meetings Law (LRS 42:4.1 et seq.), Attorney General (A.G.) Opinion 80-939, the Local Government Budget Act (LRS 39:1301, et seq.), the Lawrason Act (LRS 33:406A(3)), A.G. Opinion 00-462, LRS 33:406D(2), LRS 32:398.2.B, A.G. Opinion 93-313, LRS 32:398.3.A, A.G. Opinion 98-426, LRS 44:36.A, Richwood Ordinance 93-02, and its *Best Practices in Local Government*.

Cause

The Town failed to implement prior audit recommendations and to follow Best Practices.

Effect

The Town did not comply with state law. Weaknesses in internal control and errors increase the risk that financial statement misstatements or fraud could occur and thus require additional audit time which increases audit cost.

Recommendation

See finding 2009-1.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

2009-7 Louisiana Audit Law

First Reported

2008

Condition

The audited financial statements were not submitted to the Louisiana Legislative Auditor by the deadline set by state law.

Criteria

LRS 24:513 required the Town to submit the audited financial statements to the Louisiana Legislative Auditor by December 31, 2009.

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-7 Louisiana Audit Law (Continued)

Cause

See other findings. Additionally, the entire staff changed in October 2009 when Mayor Hunter was recalled by voters and again in March 2010 when a regular Mayoral election was held and Mayor Hunter was re-elected. Each time the staff changed, the staff had difficulty locating documents needed for the audit. Further, as the audit firm had scheduled the Town's audit for September and October of 2009, the late start caused a hardship on the audit firm. The auditor was scheduled to work on other engagements every week from January to June 2010. Therefore, in order to complete the Town's audit, the audit staff was required to work extended hours above and beyond planned overtime hours that are normally worked to accommodate the busy season.

Effect

The Town violated state law. Management and the Board lacked timely information to monitor operations of the Town. Audit costs increased due to the higher risk associated with conditions cited in the other findings and due to inefficiencies that are inevitable when an audit cannot be completed in a logical order.

Recommendation

See finding 2009-1. As previously recommended, we recommend that the Town work aggressively to implement the above recommendations to ensure that the Town is prepared for the audit of its 2010 fiscal year financial statements. The Town's general ledgers should be maintained daily and reconciled to bank statements and other supporting documents on a monthly basis. If necessary, the Town should consult outside accountants immediately for assistance in adjusting the books. The adjusted trial balances and other basic documents should be submitted to the auditor no later than September 30, 2010.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

2009-8 Incomplete Multi-Purpose Building

First Reported

2008

Condition

Construction on the multi-purpose building was begun during fiscal year 2008. It is unclear why construction stopped once the outer shell of the building was complete. The Town plans to obtain bids from contractors during June 2010 to complete the project.

Criteria

The Town's officials are charged with protecting the Town's resources and assets.

Cause

Unknown

B. Internal Control and Compliance Material to the Financial Statements (Continued)

2009-8 Incomplete Multi-Purpose Building (Continued)

Effect

The building is deteriorating and thus an asset is being wasted.

Recommendation

See finding 2009-1. As previously recommended, we recommend that the Town aggressively pursue possibilities for completing the building.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

**2009-9 Possible Noncompliance with State Law Regarding Participation in
the Municipal Police Employees Retirement System**

First Reported

2008

Condition

The Town does not participate in the Municipal Police Employees Retirement system. They are unable to produce evidence that the Town is exempt from participation in the system.

Criteria

Per LRS 11:2214, unless the Town enacted an ordinance on or before January 1, 1978 to exempt the Town, participation in the Plan is mandatory for certain police employees.

Cause

Unknown

Effect

The Town may have violated state law. If a violation has occurred, the Town may be liable for past required contributions and earnings on those contributions.

Recommendation

We recommend that the Town consult legal counsel to determine the Town's status, and, if the conclusion is that the Town is required to participate, to determine what action is necessary to bring the Town into compliance.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Hunter, 318-322-2104

Town of Richwood
Richwood, Louisiana
Status of Prior Audit Findings, June 30, 2009

Ref. No.	Fiscal Year Finding Initially Occurred ¹	Description of Finding	Corrective Action Taken Yes, No, Partially	Planned Corrective Action/Partial Corrective Action Taken
<u>Section I - Internal Control and Compliance Material to the Financial Statements</u>				
2008-1	2007	The Town did not record all monthly transactions related to the billing and collection of sewer fees, and the sewer fees were being deposited into the wrong bank account.	No	See 2009-1
2008-2	2000	The Town did not comply with the Louisiana Local Government Budget Act.	Partially	See 2009-3
2008-3	2000	The Town did not have adequate controls in place to properly account for the issuance and final disposition of all traffic tickets.	Partially	See 2009-4
2008-4	2003	The Town's internal controls over purchasing and disbursements are inadequate and not functioning properly.	Partially	See 2009-5
2008-5	2008	The Louisiana Legislative Auditor's office applied its Checklist of Best Practices in Government and found many compliance failures.	Partially	See 2009-6
2008-6	2008	The Town approved payment of accrued vacation and sick leave as well as severance pay under violation of the Louisiana Constitution.	Yes	N/A
2008-7	2008	The Town's audited financial statements were not submitted to the Louisiana Legislative Auditor by the deadline set by state law.	No	See 2009-7

Section II - Internal Control and Compliance Material to Federal Awards

No findings have been reported under this section.

Town of Richwood
Richwood, Louisiana
Status of Prior Audit Findings, June 30, 2009 (Continued)

Ref. No.	Fiscal Year Finding Initially Occurred ¹	Description of Finding	Corrective Action Taken Yes, No, Partially	Planned Corrective Action/Partial Corrective Action Taken
Section III - Management Letter				
ML 2008-1	2008	The Town was improperly classifying several accounts as balance sheet accounts in QuickBooks.	Yes	N/A
ML 2008-2	2008	The Town was improperly classifying interfund activity.	No	See 2009-2
ML 2008-3	2008	The Town had difficulty locating numerous documents for the auditor's permanent and current files.	Partially	See 2009-7
ML 2008-4	2008	The Town's construction of the multi-purpose building being stopped is unclear.	No	See 2009-8
ML 2008-5	2008	The Town did not properly post capital expenditures and caused the capital outlay to be underestimated.	Yes	N/A
ML 2008-6	2008	The Town approved expenditures that may not have been appropriate given the Town's financial position.	Yes	N/A
ML 2008-7	2008	The Town does not participate in the retirement system.	No	See 2009-9
ML 2008-8	2008	The Town is not properly monitoring movable assets.	Yes	N/A

¹We did not review beyond the audit report for the fiscal year ended June 30, 2000.